



# DELAWARE ECONOMIC INDEX

As of June 22, 2011

## STATE ECONOMIC CLIMATE OVER PAST 60 DAYS

FAIR

National Economic Trend: Weakening Recovery

### Key Rationale for Rating

- National economic activity slowed since the last *Delaware Economic Index*, including an unexpected weakening of regional manufacturing activity.
- U.S. consumer confidence and spending declined in May.
- Delaware's unemployment rate remains high, though the state rate is lower than the national rate.
- Delaware's housing market remains weak as prices continue to decline and construction remains sluggish.
- Food and gas prices continue to show signs of slight inflationary pressure as the regional consumer price index increased by 1.0% from February to April, though gas prices are beginning to decline from peak levels.
- The four-week moving average of U.S. jobless claims stood at 424,750 for the period ended June 11, 2011. While this is the lowest level since April 23, it is an increase from an average of 394,250 during the previous edition of the *Delaware Economic Index*.
- The Federal Reserve Bank of Philadelphia's Leading Economic Index for Delaware indicates growth of Delaware's economy through the 4th quarter of 2011.
- Many analysts predict that U.S. economic activity will experience higher growth in the 4th quarter of 2011.
- Delaware Economic and Financial Advisory Council (DEFAC) forecast state revenues are \$18 million higher than previously projected for Fiscal Year 2011, but down by \$38 million greater for Fiscal Year 2012. DEFAC forecasts net receipts for FY 2011 to be \$3.54 billion and \$3.61 billion for FY 2012.
- Bookings at Delmarva beaches reportedly have risen 10% compared to last year.

Issued by the  
Office of Economic Policy

### LEGEND FOR CURRENT STATE ECONOMIC CLIMATE

	STRONG
	MODERATE
	FAIR
	FRAGILE
	SEVERE

**Support Your Treasury's  
Initiative to Increase the  
Return on Our State's  
Investment Portfolio.**

*(Less than 1% return over the past 12 months)\**

Learn more by visiting  
<http://treasury.delaware.gov/>

\*Excluding special funds.

## CONSUMER SECTOR

### Unemployment

**Delaware Unemployment Rate 8.0%**



In May 33,963  
Delawareans were unemployed.

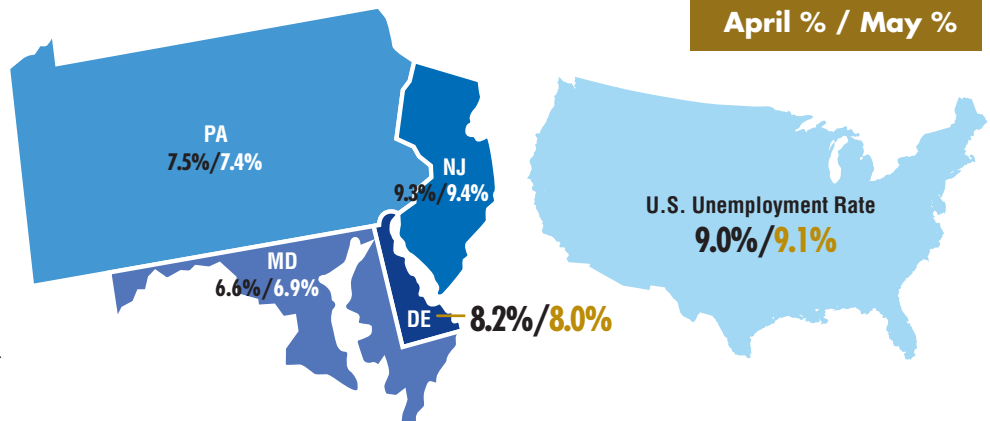
May, 2011

Source: Delaware Department of Labor, seasonally adjusted

### Regional Unemployment

April 2011 / May 2011

**April % / May %**



Sources: Delaware Department of Labor; New Jersey Department of Labor; Maryland Department of Labor, Licensing and Regulation; Pennsylvania Department of Labor & Industry, United States Bureau of Labor Statistics.



## National Unemployment Forecast

*These figures are from a June survey conducted by Bloomberg.*

Year	Percent
2011	8.8%
2012	8.2%
2013	7.6%

Source: Bloomberg

## National Economic Growth Forecast

*These figures are from a June survey conducted by Bloomberg.*

Year	Percent
2011	2.5%
2012	3.0%
2013	3.0%

Source: Bloomberg

## Average Home Price



	May-2011	May-2010	Change
New Castle County	\$217,302	\$231,779	-6.25%
Kent County	\$179,250	\$209,929	-14.6%
Sussex County	N/A	N/A	N/A

Source: The News Journal

## Gas Prices



	Delaware	United States
June 20, 2011	\$3.63	\$3.65
One Week Ago	\$3.67	\$3.71
One Month Ago	\$3.86	\$3.85
One Year Ago	\$2.67	\$2.74

Source: Delawaregasprices.com

## Mortgage Rates



	As of June 16, 2011	Week Prior
30-year fixed	4.50%	4.49%
15-year fixed	3.67%	3.68%
5-year ARM	3.27%	3.28%
1-year ARM	2.97%	2.95%

Source: Freddie Mac



## Conference Board Consumer Confidence Index



### Rating Index

90 = Doing well

100 = Strong growth

Source: Conference Board

Month	Index
May 2011	60.8
April 2011	66.0

## University of Michigan Consumer Confidence Index

Month	Index
June 2011	71.8
May 2011	74.3

Source: University of Michigan

## Regional Consumer Price Index

	Apr-2011	Feb-2011	Change
All items	233.143	230.878	<b>+ 1.0%</b>
Core	239.510	239.286	<b>+ 0.1%</b>

The regional CPI covers the Philadelphia-Wilmington-Atlantic City Consolidated Metropolitan Statistical Area. In Delaware, it covers all of New Castle County. Core inflation is the inflation rate minus food and energy items.

Source: U.S. Bureau of Labor Statistics.

## Producer Price Index



	May 2011	May 2010
Total	<b>+0.2%</b>	<b>+7.3%</b>
Except food and energy	<b>+0.2%</b>	N/A
Foods	-1.4%	N/A
Energy	<b>+1.5%</b>	N/A

These are the producer price index changes for finished goods. The index increased 0.2% in May after rising 0.8% and 0.7% respectively in April and March.

Source: U.S. Bureau of Labor



## FINANCIAL SECTOR

### Stock Prices of Key Delaware Employers

Employer	March 31 2011	June 20 2011	% Change
AstraZeneca PLC	\$46.12	\$49.27	<b>+6.83%</b>
Bank of America Corp.	\$13.33	\$10.60	-20.5%
Citigroup Inc.	\$44.20	\$38.16	-13.67%
Dover Downs Gaming and Entertainment Inc.	\$3.59	\$3.17	-11.70%
DuPont	\$54.97	\$50.39	-8.33%
JP Morgan Chase & Co.	\$46.10	\$40.48	-12.19%
Kraft Foods Inc.	\$31.36	\$34.80	<b>+10.97%</b>
M & T Bank Corp.	\$88.47	\$87.80	-0.76%
PNC Financial Services Co.	\$62.99	\$56.66	-10.05%
Siemens AG	\$137.34	\$131.08	-4.56%
Verizon Communications Inc.	\$38.54	\$35.65	-7.50%
Walgreens	\$40.14	\$45.18	<b>+12.56%</b>
Wells Fargo	\$31.71	\$26.95	-15.01%
S & P 500 Index	1,325.83	1,278.36	-3.58%
Dow Jones Industrial Average	12,319.73	12,080.38	-1.94%

Source: Google Finance

### Coincident Index

The coincident index for Delaware increased by 0.4% in April. Payroll employment increased, while the unemployment rate decreased. Average hours working in manufacturing were relatively flat.

Source Federal Reserve Bank of Philadelphia

*The Coincident Index is issued by the Federal Reserve Bank of Philadelphia to summarize economic conditions in the region. An increase in a state's coincident index indicates an increase in such state's Gross Domestic Product (GDP) growth.*

Area	April 2011	1-Month Change	3-Month Change	12-Month Change
Delaware	140.1	<b>+0.4%</b>	<b>+1.1%</b>	<b>+2.1%</b>
Pennsylvania	144.0	<b>+0.6%</b>	<b>+1.7%</b>	<b>+5.0%</b>
New Jersey	148.3	<b>+0.2%</b>	<b>+0.4%</b>	<b>+1.4%</b>
United States	153.5	<b>+0.4%</b>	<b>+1.1%</b>	<b>+2.8%</b>

### Leading Index

An increase in the state's coincident index and a decline in initial unemployment claims kept the leading index positive. However, building permits fell. Delaware's leading index for April suggests expansion in the state's economy into the fourth quarter of 2011.

Source Federal Reserve Bank of Philadelphia

*The Leading Index is issued by the Federal Reserve Bank of Philadelphia to predict the six-month growth rate of a state's Coincident Index.*

Area	April	March	February
Delaware	2.0	2.9	2.8
Pennsylvania	3.6	3.4	3.5
New Jersey	1.7	1.5	1.0
United States	2.0	2.0	2.0



## Treasury's Portfolio Balances

(As of June 17, 2011)

Portfolio	Market Value	% of Total
<b>Liquidity A/Cs:</b>		
BNYM Cash Inv Strategies	\$140,651,833.55	6.74%
JP Morgan Res & Cash	\$350,051,405.07	16.78%
Wells Capital Liquidity	\$347,986,090.48	16.68%
Wilmington Trust Liquidity	\$686,370,716.30	32.90%
<b>Intermediate Accounts:</b>		
Schroder's Interm	\$431,639,962.58	20.69%
Schroder's L&W Endowment	\$75,676,724.61	3.63%
Schroder's Health Fund Endowment	\$54,022,192.84	2.59%
<b>Total</b>	<b>\$2,086,398,925.43</b>	<b>100.00%</b>

## Key Interest Rates

Rate	6/15/11	Month Ago	Year Ago
Wall Street Journal Prime Rates	3.25%	3.25%	3.25%
Federal Discount Rate	0.75%	0.75%	0.75%
Fed Funds Rate	0.25%	0.25%	0.25%
Bond Buyer's 20 Bond Index	4.49%	4.61%	4.37%
1 Month LIBOR Rate	0.19%	0.20%	0.35%
3 Month LIBOR Rate	0.25%	0.26%	0.54%
6 Month LIBOR Rate	0.39%	0.41%	0.75%
1 Year LIBOR Rate	0.72%	0.74%	1.18%
Call Money	2.00%	2.00%	2.00%

Source: Bankrate.com

## U.S. Treasury Department Bond Rates

Date	4 Weeks		52 Weeks	
	Bank Discount	Investment Yield	Bank Discount	Investment Yield
April 4, 2011	0.02%	0.02%	0.20%	0.20%
June 17, 2011	0.02%	0.02%	0.16%	0.16%

Source: U.S. Treasury Department

## Key Benchmark Exchange Rates

As of June 20, 2011

Currency	Value (in U.S. Dollars)	Change
Euro	\$1.4307	-0.056%
British Pound	\$1.6182	<b>+0.031%</b>
Japanese Yen	\$0.0125	-0.286%
Australian Dollar	\$1.0576	-0.358%
Canadian Dollar	\$1.0210	<b>+0.112%</b>
Swiss Franc	\$1.1815	<b>+0.224%</b>

Source: Google Finance





## National Manufacturing

National economic activity in the manufacturing sector expanded in May for the 22nd consecutive month as the PMI stood at 53.5% in May, a decline from 60.4% in April. This marks the first time the PMI was below 60% in 2011 and the lowest reading in 12 months. Slower growth in new orders and productions are the principal causes of the decline. Manufacturing employment continues to show momentum, but commodity prices are causing significant cost pressures on manufacturers. A reading above 50% indicates that the manufacturing economy is generally expanding; a reading below 50% indicates general contraction.

Index	Series Index May	Series Index April	% Point Change	Status	Rate of Change	Trend* (Months)
PMI	53.5	60.4	-6.9	Growing	Slower	22
New Orders	51.0	61.7	-10.7	Growing	Slower	23
Production	54.0	63.8	-9.8	Growing	Slower	24
Employment	58.2	62.7	-4.5	Growing	Slower	20
Supplier Deliveries	55.7	60.2	-4.5	Slowing	Slower	24
Inventories	48.7	53.6	-4.9	Contracting	From Growing	1
Customers' Inventories	39.5	40.5	-1.0	Too Low	Faster	26
Prices	76.5	85.5	-9.0	Increasing	Slower	23
Backlog of Orders	50.5	61.0	-10.5	Growing	Slower	5
Exports	55.0	62.0	-7.0	Growing	Slower	23
Imports	54.5	55.5	-1.0	Growing	Slower	21

Source: ISM Report on Business

## National Non-Manufacturing

National economic activity in the non-manufacturing sector grew in May for the 18th consecutive month. The rate of growth increased as the NMI rose 1.8% from April. Survey respondents were mostly positive and view the economy as stable, although there is some concern over fuel prices and various commodities.

Index	Series Index May	Series Index April	% Point Change	Status	Rate of Change	Trend* (Months)
NMI/PMI	54.6	52.8	<b>+1.8</b>	Growing	Faster	18
Business Activity/Production	53.6	53.7	-0.1	Growing	Slower	22
New Orders	56.8	52.7	<b>+4.1</b>	Growing	Faster	22
Employment	54.0	51.9	<b>+2.1</b>	Growing	Faster	9
Supplier Deliveries	54.0	53.0	<b>+1.0</b>	Slowing	Faster	14
Inventories	55.0	55.5	-0.5	Growing	Slower	4
Prices	69.6	70.1	-0.5	Increasing	Slower	22
Backlog of Orders	55.0	55.5	-0.5	Growing	Slower	5
New Export Orders	57.0	53.5	<b>+3.5</b>	Growing	Faster	9
Imports	50.5	57.0	-6.5	Growing	Slower	2
Inventory Sentiment	55.0	57.5	-2.5	Too High	Slower	168
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A

Source: ISM Report on Business



## BUSINESS SECTOR

### Regional Business Outlook Survey Diffusion Indexes

Results from the Business Outlook Survey suggest that regional manufacturing activity weakened in June. The survey's broad indicators for general activity and new orders slipped into negative territory this month, while indicators for employment and shipment declined but remained slightly positive. The broadest indicators for future activity fell to their lowest reading in over two years. The Business Outlook Survey is conducted monthly by the Federal Reserve Bank of Philadelphia to gauge manufacturing activity in the region.

Source: Federal Reserve Bank of Philadelphia

	June 2011	May 2011
General Evaluation	-7.7	3.9
New Orders	-7.6	5.4
Shipments	4.0	6.5
Unfilled Orders	-16.3	-7.8
Delivery Times	-20.5	-2.3
Inventories	-8.5	-5.4
Prices Paid	26.8	48.3
Prices Received	4.4	16.8
Number of Employees	4.1	22.1
Average Employee Workweek	1.9	3.9

### Small Business Optimism Index

*The NFIB Small Business Optimism Index declined for the third consecutive month due to weak reported sales and concerns over inflation.*

Month	Index
May	90.2
April	91.2

Source: National Federation of Independent Businesses



## NON-PROFIT SECTOR

### Charitable Giving in the United States

Source: Wall Street Journal

Year	Amount
2010	\$290.89 Billion
2009	\$280.30 Billion

### Housing Cost Burden in Delaware

A household is considered cost-burdened when their housing costs account for over 30% of their monthly income.

Sources: 2009 American Community Survey, State Housing Authority

Total Households	Cost-Burdened Households
327,252	115,367 — [ 72,248 – Own 43,119 – Rent

### Percentage Cost-burdened

Sources: 2009 American Community Survey, State Housing Authority

	2008	2009
Owners	15.8%	30%
Renters	34%	49.9%

### Cost-burden by Tenancy and Income

These figures are for people who are at least 25 years old.

Sources: 2009 American Community Survey

Income Range	Homeowners	Renters
Less than \$20,000	67%	82%
\$20,000-\$34,999	52%	74%
\$35,000-\$49,999	44%	41%
\$50,000-\$74,999	31%	13%
\$75,000 or more	11%	4%

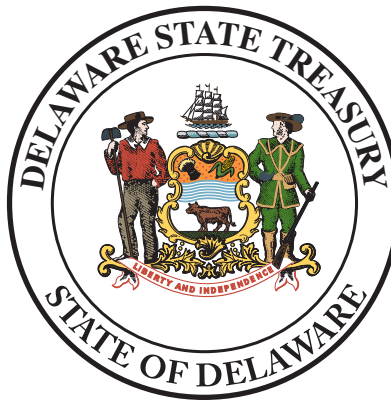




## OTHER ECONOMIC ACTIVITY

### Recent Economic Activity

- Treasurer Flowers signed a directive that will permit the Delaware State Treasury to deposit \$5-10 million in Delaware banks to diversify the state's investment portfolio.
- Bloom Energy announced it will create a manufacturing hub in Newark, which will create between 900 jobs at the facility, 600 jobs through suppliers and an estimated 350 construction jobs. Delaware Economic Development Office (DEDO) will give Bloom Energy \$11.2 million if it reaches the 900 employee mark, up to \$1.5 million for outfitting the facility, and \$3.3 million if 600 jobs are created via suppliers. The employment target grants contain provisions that reduce payouts if the targets are not met. Governor Markell and his administration worked diligently to attract Bloom to Delaware.
- Allen Foods of Seaford filed for bankruptcy. It employs 1,600 people in Western Sussex County. A portion of its assets will be sold to Millsboro based rival Mountaire Farms.
- DuPont announced it successfully completed its tender offer for Danisco and will expand its Edge Moor plant.
- The Joint Finance Committee submitted a \$3.5 billion balanced budget proposal to the legislature.
- PNC Bank purchased RBC's U.S. retail banking unit for \$3.45 billion.
- Capital One Financial will buy ING Direct USA from ING Groep for \$9 billion. ING was ordered by the European Union to sell the American unit as a condition of receiving a bailout during the financial crisis.



<http://treasurer.delaware.gov/>

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